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Rally Energy's Production Now Exceeds 4,500 BOE/D

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Rally Energy Corp. ("Rally" or the "Corporation") announced today that corporate production exit rate at the end of March 2006 exceeded 4,500 boe/d. Production average in the first quarter 2006 was 2,748 boe/d.

EGYPT

Production

First quarter exit production rates include production from three of four oil wells drilled in the Issaran Field during the first quarter; the fourth well will be completed this month. Shut-ins of five high productivity wells during February to install high performance pumps had a temporarily negative impact on Rally's daily production. Following new pump installations, it took several days to restore production and gradually increase volumes to current reported production levels.

Drilling

Drilling operations are ongoing with plans to drill up to 42 wells in Issaran during 2006 and 2007. To complete this drilling program, the Corporation successfully extended the drilling contract for the existing rig until February 2008.

Horizontal Well

Acid stimulation and a hot water wash are currently being conducted in the Upper Dolomite horizontal oil well drilled in December 2005. Limited fractures in the reservoir section have to date yielded a small inflow of fluids. Further testing and analysis of this well is continuing to assist in planning future horizontal drilling programs.

Steam Program

Applying steam technology to access the estimated 500 million barrels of heavy oil reserves in place continues to provide positive results. The first cyclic steam stimulation pilot well (44) in the Lower Dolomite Formation is on its third steam cycle and has reached production rates of 80 boe/d. The second pilot well (CSS-2) in the Upper Dolomite Formation is on its first steam cycle and is producing approximately 100 boe/d. Several cycles of steam are still planned for both pilots through 2006 and 2007.

We are very encouraged by the success of the two steam pilots in establishing significant oil mobility and increased production rates.

PAKISTAN

The operator of the Safed Koh Concession has advised us that gas contract negotiations with Sui Northern Pipeline Co. are now being finalized. Contract details are expected to be announced in May.

Extended negotiations with Sui Northern have delayed the pipeline construction start-up and therefore first production of 15 to 25 mmcf/d is now expected in November 2006. The operator has also advised us that it is in advanced discussions to contract a rig to drill several development and exploration wells starting in the third quarter of this year.

Mr. Faheem Khan, Rally's Vice President of Finance in Egypt for the last six years, has accepted the position of Vice President of Rally Energy's wholly-owned Pakistan subsidiary, effective June 10, 2006. Mr. Khan, a Pakistani national, will be located at Rally's new offices in Islamabad and will be responsible for the Corporation's activities and liaison with the operator. This appointment strengthens Rally's presence and enhances our ability to identify future growth opportunities in Pakistan.

CANADA

During April, two non-operated wells were drilled, the first well at Valhalla (Rally - 50%) was tested and cased as a gas well and expect the well to be placed on production during the second quarter of this year. The second well at Gold Creek (Rally - 12%) is currently logging.

We are examining the potential for sale of our Canadian assets this year to increase working capital and focus our efforts and resources in our higher impact projects in Egypt and Pakistan.

Based in Calgary, Alberta, Canada, Rally Energy is an oil and gas exploration, development and production company. The Corporation's primary area of operations is in Egypt, where it has a 100% operating interest in the Issaran Oilfield, a significant heavy oil development opportunity with strong growth potential. In Pakistan, the Corporation holds a 22.5% interest in the Safed Koh Block, where it is participating in the development of a large natural gas/condensate discovery. In Canada, Rally Energy is active in Alberta and Saskatchewan with varied working interests in several producing properties.

FORWARD-LOOKING STATEMENTS

Except for statements of historical fact, all statements in this news release - including, without limitation, statements regarding production estimates, potential reserves and future plans and objectives of Rally - are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate; actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from anticipated results include risks and uncertainties most of which are beyond Rally's control such as: risks relating to estimates of reserves and recoveries; production rates and operating cost assumptions; development risks and costs; the risk of commodity price and currency fluctuations; general economic and industry conditions; political and regulatory risks; environmental risks; stock market volatility; access to sufficient capital from internal and external sources; and other risks and uncertainties as disclosed under the heading "Risk Factors" and elsewhere in Rally's documents filed from time-to-time with the Toronto Stock Exchange and other regulatory authorities. The reader is cautioned that assumptions used in the preparation of such information, while considered reasonable by Rally at the time, may prove to be incorrect. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The TSX has neither approved nor disapproved of the contents of this news release.